

Honolulu, Hawaii  
March 14, 2014

RE: S.B. No. 2365  
S.D. 2  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2365, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE CLAIMS,"

begs leave to report as follows:

The purpose of this measure is to limit the reimbursement of prescription medications to prevent drug prices from becoming an unreasonable cost driver of health care in workers' compensation and motor vehicle insurance claims, while ensuring the same standard of service and care intended for both injured employees under the workers' compensation law and injured individuals under the motor vehicle insurance law.

The Department of Human Resources Development, Property Casualty Insurers Association of America, and National Association of Mutual Insurance Companies provided testimony in support of this measure. The Department of Labor and Industrial Relations; City and County of Honolulu, Department of Human Resources; The Chamber of Commerce of Hawaii; Hawaii Insurers Council; Hawaii Medical Association; Automated Health Care Solutions; Work Injury Medical Association of Hawaii; and International Longshore & Warehouse Union, Local 142 provided comments on this measure.



Your Committee has amended this measure by:

- (1) Specifying that payment for:
  - (A) Prescription drugs, including repackaged and relabeled drugs;
  - (B) Compounded prescription drugs; and
  - (C) Repackaged, relabeled, or compounded prescription drugs, if the original manufacturer of the underlying drug product used is unknown,not exceed 140 percent of the average wholesale price set by the original manufacturer;
- (2) Specifying that the payment for prescription drugs shall be based on the average wholesale price set by the original manufacturer of the dispensed prescription drug as identified by its National Drug Code and as published in the Red Book: Pharmacy's Fundamental Reference;
- (3) Providing that payment for a prescription drug that is not available at a major retail pharmacy within the State will not be reimbursed;
- (4) Requiring that all pharmaceutical claims, including claims submitted for compounded prescription drugs, include the National Drug Code of the original manufacturer; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee recognizes the concerns of the insurance industry that tying the motor vehicle insurance medical fee schedule to the workers' compensation medical fee schedule will mean that any changes to the latter will affect the former. Because these concerns may involve issues beyond the purview of this measure's title, your Committee notes that these concerns may be better addressed in other measures moving through the legislative process.



As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2365, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2365, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,



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MARK M. NAKASHIMA, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

HSCR 953-14

**Record of Votes of the Committee on Labor & Public Employment**

<b>Bill/Resolution No.:</b> SB 2305, SD 2	<b>Committee Referral:</b> LAB, CPC, FIN	<b>Date:</b> 3-11-14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. NAKASHIMA, Mark M. (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. ICHIYAMA, Linda				/
5. TAKAYAMA, Gregg	/			
6. ING, Kaniela	/			
7. TAKUMI, Roy M.	/			
8. YAMANE, Ryan I.	/			
9. JOHANSON, Aaron Ling	/			
<b>TOTAL (9)</b>	8	-	-	1
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
<b>Vice Chair's or designee's signature:</b> _____ <div style="text-align: center; font-size: small;">(Signature: Aaron Ling)</div>				
<b>Distribution:</b> Original (White) – Committee      Duplicate (Yellow) – Chief Clerk's Office      Duplicate (Pink) – HMSO				